

From: PUC
Sent: Friday, January 17, 2014 10:04 AM
To: [REDACTED]
Subject: FW: Black hills power

Jessi:

Thank you for your message about Black Hills Power's costs. Last week, the Public Utilities Commission approved BHP's request for deferred accounting regarding expenses resulting from the October 2013 storm Atlas. This approval applies only to the interim accounting of these storm expenses. It allows BHP to set aside these costs for accounting purposes so they may be reviewed for possible recovery during a future rate case. The commission's approval of this accounting method does not mean approval of the costs. The commission will review these separate expenses during a rate case to determine if any are reasonable and allowable for rate recovery in a later rate filing.

When the company files their next rate case, expected this spring, the commission will then fully analyze the costs to determine if they are appropriate and allowable under state law. Only those expenses that meet these standards will become part of the company's rates for the period of time approved in that case.

The costs BHP encounters in demolition of an old power plant and building a new one will also be analyzed and those that are reasonable and just according to the law will become part of the company's rates for that power. That is within the law for public utilities. BHP cannot legally save money by charging in advance for a power plant that may never be built or needed.

I appreciate your concern with increasing costs. All of us experience them with regard to utilities and other goods and services. As you referenced, BHP is a monopoly. It is also a public utility. That means it must operate within specific laws that govern it and for which the PUC is charged with regulating. This includes the review and allowance of reasonable, just costs to operate the utility – potentially including insurance costs, storm recovery costs beyond insurance reimbursements, demolition of old plants and construction of new plants. The PUC cannot simply say no to any rate increase the utility requests to implement, regardless of justification or need. The law lays out the parameters in which a public utility must operate and the commission must regulate. A utility rate case takes about a year to process, from the first filing to decision. Meanwhile, many documents and much data are analyzed, and many questions are asked of the company for further investigation by commissioners and staff. Commissioners must ultimately make decisions within the boundaries of the laws that govern utilities and regulators.

I encourage you to review BHP's future filings and rate cases to become informed of the process. These filings may be found at www.puc.sd.gov and your comment will be added to the EL13-036 docket in which this accounting method was acted on by the commission.

Chairman Gary Hanson
South Dakota Public Utilities Commission
www.puc.sd.gov